

San Antonio Gold Mines Limited

(No Personal Liability)



Annual Report

For the Year Ended December 31, 1964

SAN ANTONIO GOLD MINES LIMITED

DIRECTORS	W. C. RINGSLEBEN C. A. BURNS D. G. LAWSON F. C. WOOLLEY M. S. HOLLENBERG E. E. OTT
OFFICERS	W. C. RINGSLEBEN President C. A. BURNS Vice-President E. E. OTT Secretary-Treasurer
GENERAL MANAGERS	RINGSLEBEN & BURNS Consulting Geologists and Professional Mining Engineers
TRANSFER AGENTS	CROWN TRUST COMPANY Toronto; Winnipeg
AUDITORS	MCDONALD, CURRIE & CO. Winnipeg, Man.
HEAD OFFICE	BISSETT, MANITOBA
EXECUTIVE OFFICE	SUITE 405 - 67 YONGE ST. Toronto 1, Ontario

SAN ANTONIO GOLD MINES LIMITED

Report of the Directors

TO THE SHAREHOLDERS:

Your Directors submit herewith the Annual Report for the year ended December 31, 1964, which includes the Balance Sheet, a Statement of Earnings showing Revenue and Expenditure, a Statement of Source and Use of Funds, the Report of the Auditor and a Report on Mining Operations.

Operating deficits early in 1964 made it necessary to increase the Manitoba Government loan from \$100,000 to \$185,000. Later in the year funds were required for an expanded development program and also to ensure adequate working capital, so 300,000 shares of capital stock were sold for \$80,000. The six houses erected by the Company were financed by a C.M.H.C. loan.

At the end of 1964 working capital was \$466,712 as compared with \$281,477 at the end of 1963. Revenue from bullion production and the amount recoverable under the Emergency Gold Mining Assistance Act was greater than last year by \$224,261, and only the continuing acute shortage of stope miners prevented a better showing. An expanded development program costing \$235,024, or \$70,441 more than was spent the year before, accounted for a mine operating loss of \$28,917 before depreciation and deferred development costs written off, as compared to the loss for 1963 of \$183,773.

The discovery on the upper levels of the mine of several veins has enhanced the possibilities for more ore in old section of the mine. A limited amount of development work on the lower levels was also successful in proving more ore. In spite of these favourable ore developments it became evident that more stopes were required to give a more uniform feed to the mill and ensure a longer life for the mine. In November, therefore, your Directors decided to sink No. 5 winze another two levels. A new hoist was purchased and sinking is now in progress. The estimated cost for the hoist, new equipment in the shaft, sinking, and some crosscutting on the 33rd and 34th levels will be approximately \$160,000. Payments will be spread over several months to two years.

It is with regret that the Directors record the resignation of two members of the Board. Mr. Ralph Henderson found this course necessary for business reasons and Mr. W. W. Davison was forced by illness to retire. Members of the Board wish to express their thanks to both men for their painstaking efforts on behalf of the Company. The vacancies were filled by Mr. F. C. Woolley and Mr. E. E. Ott.

On behalf of the Board,

WILLIAM C. RINGSLEBEN,
President

TORONTO, ONTARIO
May 18, 1965

General Manager's Report

100 Adelaide Street West, Toronto 1, Ontario,
May 15th, 1965.

San Antonio Gold Mines Limited,
67 Yonge Street, Toronto 1, Ontario.

Dear Sirs:

Herewith is my report of operations at the mine for the calendar year 1964.

An effort is being made to rehabilitate the mine, and bring it back to profitable production. To help improve production and to facilitate deeper exploration and development a new hoist has been ordered for "5" winze.

Production and Milling. The mill operated at an average daily tonnage of 366 tons per calendar day. A total of 28,773 ounces of gold was recovered. Production for 1964 with comparative figures for 1963 are shown in the table following.

	1964	1963
Tons Milled.....	133,764	127,575
Tons per Calendar Day.....	366	350
Ounces Gold Produced.....	28,773	24,017
Ounces Silver.....	5,168	4,019
Mill Head Ounces Gold per Ton.....	.2245	.1960
Recovery Ounce Gold per Ton.....	.2150	.1885
Recovery Per Cent.....	95.8	96.1
Price per Ounce Gold.....	\$37.64	\$37.64
E.G.M.A. per Ounce Gold (Note 1).....	\$10.27	\$10.27
Total Received per Ounce Gold.....	\$47.91	\$47.91

NOTE 1: The auditors' statement of earnings shows that \$10.14 per ounce was received in E.G.M.A. for 1964, but their figure apparently reflects an adjustment from a previous year.

TABLE OF TOTAL PRODUCTION

Tons Milled.....	4,176,447
Ounces Gold Produced.....	1,131,939
Ounces Silver Produced.....	179,506

Production continued to be affected adversely by a lack of trained miners, and by a huge turnover. The whole mining industry is suffering from a lack of miners partly because of the boom in base metals. San Antonio has greater difficulty getting men than mines in larger centers. Six attractive new houses have been built in an effort to attract married miners, but the experiment seems to have done nothing to bring married men. Management continued to try and solve this critical problem which can be the key to a profitable operation.

Operations in 1964 were much improved over 1963 as a result of an improvement in the grade and quantity of ore milled, but still there was a loss from operations.

Exploration and Development. A total of 6,272 feet of lateral exploration and development was done throughout the mine in 1964. The work outlined a length of 1,488 feet of ore assaying 0.258 ounces of gold per ton across 6.1 feet when diluted at least 20 per cent. New ore indicated is 24.2 per cent of total lateral development, as compared to 23 per cent during 1963. Under the heading "Recent Development" below it is shown that there has been a marked improvement in the amount of ore developed during the first four months of 1965.

Ore reserves at the end of 1964 are estimated to be 187,454 tons with a grade of 0.24 ounces gold per ton. This is a decrease of 16,000 tons from 1963.

SUMMARY OF EXPLORATION AND DEVELOPMENT

	1964	1963
Drifting and Cross Cutting.....	6,272'	5,699'
Development Raising.....	290	507
Stope Raising.....	1,289	485
Diamond Drilling.....	20,935	22,866

SUMMARY OF ORE DEVELOPMENT

	1964	1963
Grade, ounce gold per ton (Note 1).....	0.258	0.236
Width, feet.....	6.1	6.5
Length, feet.....	1,488	1,295

NOTE 1: Dilution of at least 20 per cent is used.

ESTIMATED ORE RESERVES

	1964			1963		
	Tons	Oz. Gold Per Ton	Total Ounces	Tons	Oz. Gold Per Ton	Total Ounces
Unbroken.....	134,420	0.245	32,998	157,070	0.239	37,542
Broken.....	53,034	0.227	12,056	46,783	0.214	10,004
Total and Average.....	187,454	0.240	45,054	203,853	0.233	47,546

Recent Development and Production. Development during the four-month period January 1st to April 30th opened up a length of 1,086 feet of ore assaying 0.31 ounces gold per ton across a width of 5.9 feet when diluted at least 20 per cent. This length represents 45.4 per cent of the lateral development done during the period; by far the best period of development in the last two or three years. The same rate of ore development can not be expected for the whole year, but it is an encouraging start for the year.

Production for the first four months of 1965 is 10,369 ounces of gold from 48,794 tons milled with a mill head of 0.2220 ounces per ton. This compares with 7,719 ounces of gold from 44,645 tons milled with a mill head of 0.1805 ounces per ton for the same period of 1964.

The new hoist is installed for "5" winze, and sinking has started to deepen the winze another two levels. It is estimated that this sinking should take about two months. Operations will then resume on the levels serviced by "5" winze.

Personnel. I wish to acknowledge the continuing loyalty and effort given during 1964 by Mr. G. F. Reynolds, General Superintendent, and by all the staff.

Yours respectfully,
C. A. BURNS

SAN ANTONIO GOLD MINES LIMITED

(No Personal Liability)

Balance Sheet as at December 31, 1964

	1964	1963
	\$	\$
CURRENT ASSETS		
Cash.....	280,028	98,673
Bullion on hand (net settlement value).....	88,595	85,969
Account receivable under The Emergency Gold Mining Assistance Act.....	93,719	97,634
Accounts receivable (less provision for doubtful accounts 1964—\$496; 1963—Nil).....	15,186	7,837
Inventory of stores and supplies, valued at the lower of cost or market.....	129,609	156,839
Prepaid expenses.....	29,175	24,765
	<u>636,312</u>	<u>471,717</u>
INVESTMENT IN AND ADVANCES TO SUBSIDIARY AND AFFILIATED COMPANIES		
Shares —subsidiaries—at cost.....	1,056,242	1,056,242
—affiliate —at cost.....	76,080	76,080
Advances—subsidiaries.....	703,641	716,463
—affiliate.....	9,917	9,742
	<u>1,845,880</u>	<u>1,858,527</u>
FIXED ASSETS		
Mining properties—at cost (note 2).....	1,879,875	1,879,875
Buildings, machinery and equipment—at cost, less accumulated depreciation (1964—\$2,235,470; 1963—\$2,236,540).....	106,748	127,088
	<u>1,986,623</u>	<u>2,006,963</u>
DEFERRED CHARGES		
Deferred Development Expense—at cost, less amortization (note 2).....	31,121	27,560
	<u>4,499,936</u>	<u>4,364,767</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of San Antonio Gold Mines Limited (No Personal Liability) as at December 31, 1964 and the statements of earnings, retained earnings and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings, retained earnings, and source and use of funds, when read in conjunction with the notes appended thereto, present fairly the financial position of the company as at December 31, 1964 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

April 12, 1965
Winnipeg, Manitoba

McDONALD, CURRIE & Co.
Chartered Accountants

D MINES LIMITED

Liability)

December 31, 1964

LIABILITIES

	1964 \$	1963 \$
CURRENT LIABILITIES		
Bank loan—secured.....	—	30,000
Accounts payable and accrued liabilities.....	167,795	160,240
Current portion of long-term debt.....	1,805	—
	<u>169,600</u>	<u>190,240</u>
LONG-TERM DEBT		
6% serial income debentures, due May 1, 1968 (note 4).....	185,000	100,000
6¼% mortgage loan, due March 1, 1979 payable in monthly instalments of \$367, including principal and interest.....	42,578	—
	<u>227,578</u>	<u>100,000</u>
Less: Current portion.....	1,805	—
	<u>225,773</u>	<u>100,000</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized—		
5,000,000 shares of a par value of \$1.00 each		
Issued and fully paid—		
2,893,034 shares (including 300,000 shares issued during the year for \$80,000 cash).....	2,893,034	2,593,034
Discount.....	360,000	140,000
	<u>2,533,034</u>	<u>2,453,034</u>
RETAINED EARNINGS	1,571,529	1,621,493
	<u>4,104,563</u>	<u>4,074,527</u>
	<u>4,499,936</u>	<u>4,364,767</u>

NOTES:

1. The company has leased mining properties of Forty-Four Mines Limited on a royalty basis until January 1, 1973 with right of renewal for a further ten years.
2. The amounts shown for mining properties and deferred development expenditures represent costs to date and are not intended to reflect present or future values.
3. As at December 31, 1964 there were options outstanding for 300,000 shares under an agreement dated April 29, 1964. These options expired on January 31, 1965. Subsequent to December 31, 1964 an option which expires December 31, 1969 was granted to certain employees to purchase 50,000 shares.
4. Under an agreement dated May 1, 1963 the Province of Manitoba agreed to lend to the company up to \$240,000 and take as security serial income debentures. The manner in which the debentures are constituted and secured is set out in the Trust Indenture dated May 1, 1963 between the company and the Canada Permanent Trust Company who acts as Trustee. The Trust Indenture provides that no dividends are to be declared or paid so long as the debentures are outstanding.
5. The assets and liabilities of the subsidiary companies have not been included in the financial statements because the subsidiary companies are not operating. Their assets consist mainly of mining claims and rights and development costs.

Signed on behalf of the Board,

C. A. BURNS, *Director*

EVERETT E. OTT, *Director*

SAN ANTONIO GOLD MINES LIMITED

(No Personal Liability)

Statement of Retained Earnings

FOR THE YEAR ENDED DECEMBER 31, 1964

	1964	1963
	\$	\$
BALANCE—BEGINNING OF YEAR.....	1,621,493	1,790,297
Proceeds from sale of power sub-station and transmission line.....	20,000	50,000
	<u>1,641,493</u>	<u>1,840,297</u>
Loss for the year.....	69,964	218,804
BALANCE—END OF YEAR.....	<u><u>1,571,529</u></u>	<u><u>1,621,493</u></u>

Statement of Earnings

FOR THE YEAR ENDED DECEMBER 31, 1964

	1964		1963	
		Per ounce of gold milled 28,772.97 ounces	Per ton of ore milled 133,764 tons	
REVENUE	\$	\$	\$	\$
Bullion production, less marketing costs.....	1,082,982	37.64	8.09	903,931
Amounts recoverable under The Emergency Gold Mining Assistance Act.....	291,921	10.14	2.18	246,711
	<u>1,374,903</u>	<u>47.78</u>	<u>10.27</u>	<u>1,150,642</u>
EXPENDITURE				
Mine development.....	235,024	8.17	1.76	164,583
Mining.....	875,651	30.43	6.54	878,433
Milling.....	278,121	9.67	2.08	267,152
Exploration of outside properties.....	—	—	—	1,747
Administration.....	29,944	1.04	.22	43,791
	<u>1,418,740</u>	<u>49.31</u>	<u>10.60</u>	<u>1,355,706</u>
Sundry income—net.....	14,920	.52	.11	21,291
	<u>1,403,820</u>	<u>48.79</u>	<u>10.49</u>	<u>1,334,415</u>
	<u>(28,917)</u>	<u>(1.01)</u>	<u>(.22)</u>	<u>(183,773)</u>
Depreciation on buildings, machinery and equipment	33,930	1.18	.25	30,227
Deferred development costs written off.....	7,117	.24	.05	4,804
	<u>41,047</u>	<u>1.42</u>	<u>.30</u>	<u>35,031</u>
NET LOSS FOR THE YEAR.....	<u><u>69,964</u></u>	<u><u>2.43</u></u>	<u><u>.52</u></u>	<u><u>218,804</u></u>

SAN ANTONIO GOLD MINES LIMITED

(No Personal Liability)

Statement of Source and Use of Funds

FOR THE YEAR ENDED DECEMBER 31, 1964

	1964	1963
	\$	\$
SOURCE OF FUNDS		
Proceeds from sale of—		
Debentures.....	85,000	100,000
Capital stock.....	80,000	60,000
Power transmission line.....	—	50,000
Power sub-station.....	20,000	—
Proceeds from mortgage loan.....	42,945	—
Reduction in advances to subsidiary and affiliated companies.....	12,647	15,511
	<u>240,592</u>	<u>225,511</u>
USE OF FUNDS		
Loss for the year.....	69,964	218,804
Less: Charges not requiring cash outlay—		
Depreciation and deferred development costs.....	41,047	35,031
	<u>28,917</u>	<u>183,773</u>
Additions to fixed assets.....	13,590	87,117
Development expenses deferred.....	10,678	30,613
Reduction of mortgage loan.....	2,172	—
	<u>55,357</u>	<u>301,503</u>
INCREASE (DECREASE) IN WORKING CAPITAL.....	<u>185,235</u>	<u>(75,992)</u>
WORKING CAPITAL—BEGINNING OF YEAR.....	281,477	357,469
Increase (decrease) in working capital.....	185,235	(75,992)
WORKING CAPITAL—END OF YEAR.....	<u>466,712</u>	<u>281,477</u>

